

PERSpectives

Second Quarter 2003

Public Employee Retirement System of Idaho

Take some advice from those who've been there: Be good to yourself and join the 401(k)



Jody B. Olson
Retirement Board Chairman

From talking to thousands of people about the PERSI 401(k), we can, for the most part, divide people into two categories:

- Those that want to save but think they can't afford to, and
- Those who do save, are glad they do, but wish they started sooner.

The people who do save are, generally, in their 50's and are looking to retire within 10 - 15 years. **The single most common statement they make - by far - is "I wish I had started saving in my 20's or 30's."**

They also say, **"I didn't think I could afford to take another deduction from my paycheck, but once I started, I really didn't miss it at all."**

If you're in your 20's or 30's, listen to these people. Take their advice. Start saving NOW. It really is easier and less painful than you think, and you will be REALLY glad you did. Saving in your 401(k) is one of the best things you can do for yourself.

In this newsletter, read:

- Great reasons to join the PERSI Choice Plan 401(k)
- The 2% Challenge

and then take just five minutes to complete the enclosed 401(k) Enrollment Form and turn it in to your employer's Human Resource/Payroll Department to begin saving.

I promise you, you will be glad you did. ◆

The 2% Challenge

You REALLY can afford to start saving in your 401(k)

We've all got the same challenges: frozen salaries, higher health insurance premiums, mortgage payments, car loans, credit cards, medical bills, etc. Very few of us have "extra money" and none of us want to see our paychecks shrink any more.

You'd like to be saving for your future - for your kid's education, a new car, or your own retirement - but, oh yeah, you don't have that extra money to save. Or do you? We can show you how you can sock away 2% of your pay and barely notice it.

You see, when you contribute to the PERSI 401(k), your federal and state income taxes are lower. Why? Because your contributions to the Choice Plan 401(k) are taken out before Uncle Sam and the State get out the tax axe. Your take home pay doesn't decline as much as the amount you contribute. You can start saving extra for retirement and not feel the pinch of a personal budget shortage.

Let's take a look at an example. Let's say Bea Trooper, married and mother of two, decides to start contributing 2% of her \$30,000 salary to her 401(k) at age 25. Technically, \$23.08 comes out of her check every two weeks. However, because of tax savings her take home pay only goes down \$18.46, or just \$1.32 per day!

And what will Bea receive in return for her \$1.32 a day? Only about \$111,808.88 when she retires early at age 60. That's assuming she meets average market returns over time. Not bad, huh? That's an extra \$559 per month in retirement, interest only, and a chance for her two children to split over \$100,000 as an inheritance.

Continued - See "2% Challenge" on page 3

PERSI earns 3.7% in FY 2003

Current Value of the Fund \$6,547,170,055
Fiscal Year Change in Market Value \$253,009,168
Fiscal Year Return 3.7%

Early Retirement Incentive Plan (ERIP) money may be deferred to the PERSI 401(k)

Some employers offer early retirement incentive plans (ERIPs) to their employees in the form of a cash bonus. If you are offered an ERIP, you may be able to defer all or a portion of it into the Choice Plan 401(k).

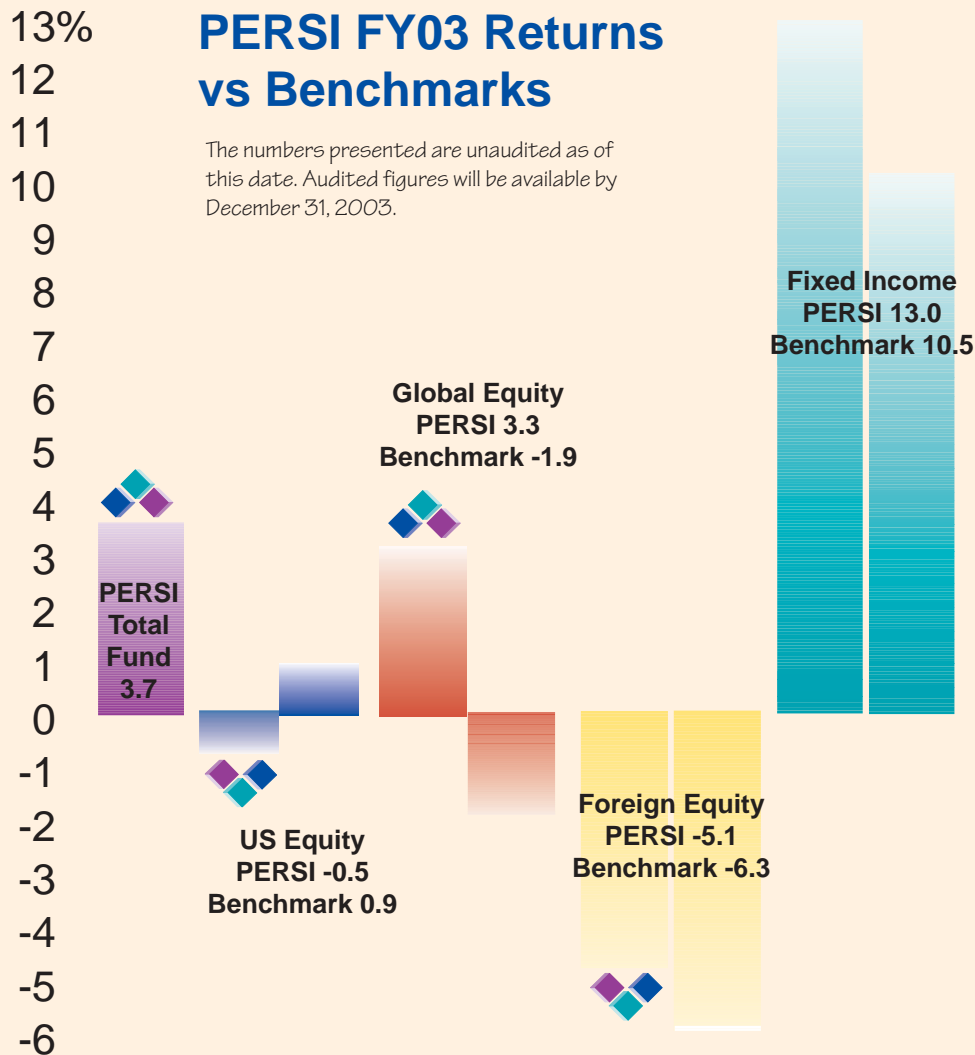
The ERIP must be paid through your payroll system while you are still active, or immediately following termination. The salary must be reported to the IRS as W-2 wages.

You may not exceed your annual contribution limit. This is \$12,000 for 2003, or if you are at least age 50, \$14,000. If you contribute to a 403(b) plan as well as the Choice Plan 401(k), the total of the two plans may not exceed these limits. However, you may be able to contribute another \$12,000 to a 457 plan if you have one.

To defer an ERIP, you must complete a Choice Plan Salary Reduction Agreement form 801 (available at www.persi.state.id.us/html/forms.htm). On the form, indicate the percentage that will allow you to contribute as much as desired without exceeding your annual contribution limit.

ERIP payments are not treated as salary for PERSI Base Plan purposes.

To ensure that your ERIP qualifies for deferral, or if you have questions on deferring ERIPs to the 401(k), please call Gay Lynn Bath at 287-9293 or 1-800-451-8228, ext. 293.



The fiscal year ended with the fund up 3.7%, the first positive result in the past three. For the most part, PERSI's investments have done comparatively well and have outperformed our benchmarks. There is hope that the bottom of the market has passed, and that moderate gains may occur this year.

PERSI Asset Allocation

US Equity 55%
Fixed Income 29%
International Equity 13%
Emerging Markets 3%
Cash 0%



Employer survey shows high satisfaction

Several months ago PERSI started surveying employers and members to find out how they feel about PERSI's customer service and procedures.

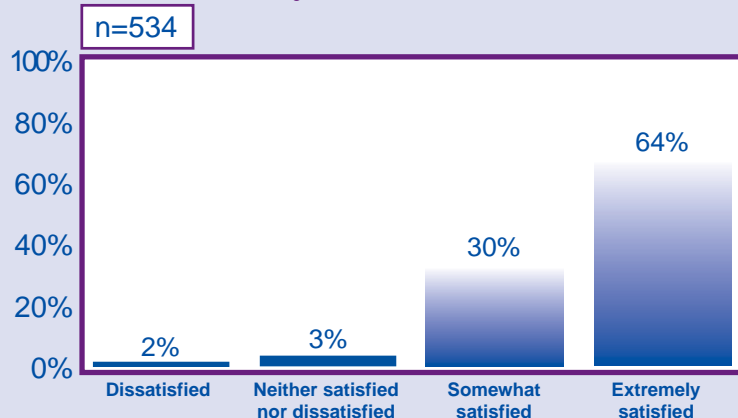
The first survey was an Employer Attitude survey. Clearwater Research collected information from 536 employer contacts about their satisfaction with PERSI services, knowledge of PERSI benefits, and the usefulness of PERSI support and information. The results were

extremely positive as in almost all areas, employers indicated a very high level of satisfaction with PERSI.

This information will be used to guide future services and programs. A few of the results are below. The full report is available on our Website at www.persi.state.id.us on the employer information page. Other results will be reported on the Web and in newsletters as they come in.

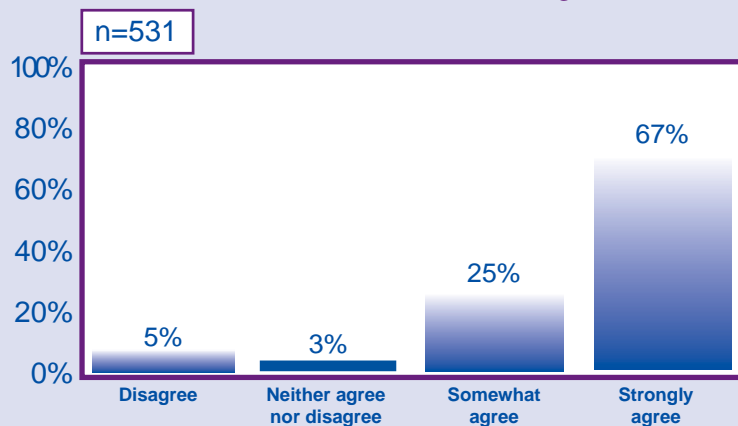
Q: Consider all of your experiences with PERSI in the past year. How satisfied or dissatisfied overall are you with PERSI?

Some 94% of employers are somewhat or extremely satisfied overall with PERSI.



Q: The employees at PERSI strive to make my job easier.

67% strongly agree with this statement. Another 25% somewhat agree.



2% Challenge

continued from page 1


Want to see how much 2% out of your paycheck would affect your take-home pay? Start with the gross amount of your paycheck. For Bea Trooper, who gets paid bi-weekly, this is \$1,154. Two percent of this is the 401(k) contribution of \$23.08. ($\$1,154.37 \times 2\% = \23.08). Next, take the 401(k) amount and multiply it by your federal and state tax rate. If Bea is in the 20% tax bracket, her paycheck is only reduced \$18.46 ($\$23.08 \times .80 = \18.46). So even though Bea gets over \$23 in her 401(k), her takehome pay is only reduced about \$18.

Another way to look at it is to multiply your gross salary per year by your contribution rate and then subtract your taxes. For Bea, contributing 2% of her \$30,000 salary means \$600 in her 401(k), yet her paycheck is only \$480 smaller.

Sweet, huh? Try it for yourself. Playing hide and seek with your taxes is fun, and a 2% contribution painless.

We call it the 2% challenge. You can call it an opportunity to invest in your future. Fill out the enclosed 401(k) Enrollment form and give it to your payroll person today.

If you later find that you really can't live without that \$18 take-home pay, stop contributing for awhile. It's okay. We understand. But, at least give it a try! We believe once you start saving you'll find you never miss it.

Then plan on attending one of our many planning workshops to learn how you can help yourself have the retirement of your dreams! 

Great reasons to join the PERSI Choice Plan 401(k)

Anyone Can Join

All active PERSI members may join the Choice Plan 401(k). So can members of the Firemen's Retirement Fund, the Judge's Retirement Fund and the Department of Labor Retirement Plan.

Pre-Tax Contributions Saves You on Taxes

Through convenient payroll deductions, you may save 1 - 100% of your gross income (including overtime) on a pre-tax basis. (See "2% Challenge" on page 1 to see how this saves you on income taxes.) An annual minimum contribution of \$130 divided by your number of yearly paychecks is needed. (Example: \$130/26 paychecks a year = \$5 per paycheck.)

PERSI Pays Your Record Keeping Fees

As long as you are an active PERSI Base Plan member, PERSI will pay your record keeping fees for you.

Low Investment Fees

The investment fees on the 401(k) funds are very low compared to many mutual funds or other savings plans. This means more earnings for YOU.

Rollovers Into The Choice Plan

You may rollover money from other savings plans into the 401(k) to consolidate accounts. The Choice Plan accepts eligible rollovers from all of these:

- 401(a) • 457 • 401(k) • 403(b)
- 403(a) • Pre-tax IRAs • Spousal beneficiaries

Investment Options

The investment options in the Choice Plan 401(k) give you great flexibility in building your savings portfolio. The default investment option is the PERSI Total Return Fund, with the same portfolio as the \$6 billion PERSI fund.

Loans

While your Choice Plan account is intended for saving, loans are permitted for any reason during

employment. The interest rate for all new loans is the Prime Rate plus 1%, paid right back to your account. The repayment period may be up to five years for a general loan and 10 years for the purchase of a home.

Use 401(k) funds for Base Plan Repayments

Choice Plan 401(k) money may be transferred while you are still working, to the PERSI Base Plan to repay separation benefits, waiting periods or delinquent contributions.

Vesting - Your Money is Always Yours

Vesting is your "ownership" of your Choice Plan funds. You are always 100% vested to all money in your Choice account.

24-Hour Account Information

You may access your account information 24 hours a day via www.persi.state.id.us/choice or toll-free 1-866-ID-PERSI.

How To Enroll

To enroll, complete the enclosed 401(k) Enrollment form and return it to your Payroll Clerk. Your contributions will begin as soon as administratively possible (usually the next pay cycle). ♦

I D A H O

PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
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